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## ABSTRACT

In 1998, Congress amended the Higher Education Act (HEA) and established the Office of Federal Student Aid (FSA) as a performance-based organization. The Act called for the FSA to develop 5-year plans annually, issue annual reports, and consult with stakeholders regarding the program delivery system. The General Accounting Office (GAO) initiated a review to assess FSA's default management efforts and results. FSA had 39 default management goals for fiscal years 2000 through 2002, but the goals changed significantly during this period, and the GAO found that the FSA did not prepare the 5-year performance plans annually. FSA met or exceeded most of its goals, but did not prepare timely performance reports. The GAO analysis shows that FSA met or exceeded 36 of its 39 management goals. Suggestions from the 23 school officials who responded to a GAO survey that was part of this evaluation did not indicate the need for additional default management goals. Most responding officials were generally pleased with FSA assistance. The GAO recommends that FSA prepare a 5-year performance plan as required by the HEA and also prepare and issue reports on performance that are timely and clearly identify whether performance goals were met. Five appendixes contain supplemental information, including a discussion of the study methodology. (SLD)

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GAO

Report to the Secretary of Education

February 2003

# FEDERAL STUDENT AID

## Timely Performance Plans and Reports Would Help Guide and Assess Achievement of Default Management Goals

ED 474 812

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Highlights of GAO-03-348, a report to the Secretary of Education

## Why GAO Did This Study

During fiscal year 2002, an estimated 5.8 million people borrowed about \$38 billion in federal student loans. Despite a dramatic reduction in annual default rates on those loans since fiscal year 1990 (from 22.4 to 5.9 percent), the total volume of dollars in default doubled to nearly \$22 billion by fiscal year 2001 from about \$11 billion in fiscal year 1990. During that same period, the total student loans outstanding grew from \$54.1 billion to \$233.2 billion.

The Department of Education's Office of Federal Student Aid (FSA) manages the nation's student financial assistance programs authorized under title IV of the Higher Education Act (HEA). In 1998, Congress amended the HEA and established FSA as a performance-based organization. Among other requirements, the HEA called for FSA to annually develop 5-year plans, issue annual reports, and consult with stakeholders regarding their delivery system. GAO initiated a review to assess FSA's default management efforts and results.

## What GAO Recommends

The Secretary of Education and FSA's Chief Operating Officer should (1) produce a 5-year performance plan annually as required by the HEA and (2) prepare and issue reports to the Congress on FSA's performance that are timely and clearly identify whether performance goals were met.

[www.gao.gov/cgi-bin/getrpt?GAO-03-348](http://www.gao.gov/cgi-bin/getrpt?GAO-03-348).

To view the full report, including the scope and methodology, click on the link above. For more information, contact Cornelia M. byc at (202) 512-8403 or [byc@gao.gov](mailto:byc@gao.gov).

# FEDERAL STUDENT AID

## Timely Performance Plans and Reports Would Help Guide and Assess Achievement of Default Management Goals

### What GAO Found

FSA's default management goals were mostly to prevent defaults, increase collections, and verify student eligibility, but the agency lacked a plan to guide its efforts. FSA had 39 default management goals for fiscal years 2000 through 2002. However, the goals changed significantly during this period and FSA did not annually prepare 5-year performance plans as required by the HEA.

FSA met or exceeded most goals, but did not prepare timely performance reports. According to our analysis, FSA met or exceeded performance targets for 36 of its 39 default management goals during fiscal years 2000 through 2002. However, FSA did not issue performance reports for fiscal years 2000 and 2001, as required by the HEA. Instead, in December 2002, FSA issued one report for both fiscal years that lists accomplishments, but does not clearly indicate the extent to which goals were or were not met.

Suggestions from survey respondents did not indicate the need for additional goals. While about one-third of the 23 school officials who responded to our survey made suggestions about ways that FSA could better assist them, none of the suggestions indicated the need for additional default management goals. FSA assisted all schools by sharing default management information through symposiums and other media, and provided individual assistance to some schools through visits and telephone calls. Most of the responding officials were generally pleased with FSA's assistance. The suggestions that officials made did not indicate a need for additional goals because they either related to existing goals or addressed operational issues.

**Table 1: Total Student Loan Portfolio and Amounts in Default for Fiscal Years 1990–2001 (nominal dollars in billions)**

Fiscal Year	Outstanding Portfolio	Total Federal Family Education Loans (FFEL) and Federal Direct Student (Direct Loans)*	
		Defaults	Defaults as a Percentage of Outstanding Portfolio
1990	\$54.1	\$10.9	20.1
1991	57.5	12.5	21.7
1992	62.0	13.6	21.9
1993	69.0	12.1	17.5
1994	80.0	12.5	15.6
1995	95.6	20.6	21.5
1996	113.9	18.5	16.2
1997	133.5	21.0	15.7
1998	154.3	24.1	15.6
1999	176.9	25.8	14.6
2000	202.9	21.5	10.6
2001	233.2	21.8	9.4

Source: Department of Education.

Note: The Direct Loan program began disbursing loans in 1994.

\*The total cumulative dollars in default for FFEL and Direct Loans consist of principal, interest, late fees, and administrative charges. The totals also reflect the amounts collected during the fiscal year.

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**Abbreviations**

COO	Chief Operating Officer
CDR	cohort default rate
FFEL	Federal Family Education Loan Program
FSA	Office of Federal Student Aid
HEA	Higher Education Act
HHS	Department of Health and Human Services
IFAP	Information for Financial Aid Professionals
IRS	Internal Revenue Service
NSLDS	National Student Loan Data System
PBO	performance-based organization
VFA	Voluntary Flexible Agreement

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United States General Accounting Office  
Washington, DC 20548

February 14, 2003

The Honorable Roderick Paige  
Secretary of Education

Dear Mr. Secretary:

During fiscal year 2002, an estimated 5.8 million people borrowed about \$38 billion in federal student loans to help meet their educational needs. This is more than triple the \$11.7 billion borrowed in fiscal year 1990. Despite a dramatic reduction in annual default rates on those loans since fiscal year 1990 (from 22.4 to 5.9 percent), the total volume of dollars in default had grown to nearly \$22 billion by fiscal year 2001 from about \$11 billion in fiscal year 1990. During the same period, the total student loans outstanding grew from \$54.1 billion to \$233.2 billion.

The Department of Education's Office of Federal Student Aid (FSA) is responsible for managing and administering the nation's student financial assistance programs authorized under title IV of the Higher Education Act (HEA) of 1965, as amended. In 1998, the Congress amended HEA to establish FSA as a performance-based organization (PBO) in order to address longstanding management weaknesses.<sup>1</sup> Among other requirements, HEA called for FSA to annually develop 5-year plans that establish measurable goals and to issue annual reports on the extent to which the goals were met. The intent of this law was to provide among other things, a greater level of accountability for FSA's administration of programs. Additionally, HEA requires FSA to seek the opinions and suggestions of postsecondary institutions and other stakeholders, such as lenders and borrowers, regarding their delivery system. Because of the

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<sup>1</sup>Because of concerns about fraud, waste, abuse, and mismanagement, we have included student financial aid programs on our high-risk list since 1990. The former Guaranteed Student Loan Program, now called the Federal Family Education Loan Program was included in our 1990 list; in 1995 we revised this designation to include all student financial aid programs included in Title IV of the Higher Education Act of 1965. U.S. General Accounting Office, *High-Risk Series: Student Financial Aid*, GAO/HR-95-10 (Washington, D.C.: Feb. 1, 1995); *High-Risk Program: Information on Selected High-Risk Areas*, GAO/HR-97-30 (Washington, D.C.: May 16, 1997); *High-Risk Series: An Update*, GAO/HR-99-1 (Washington, D.C.: Jan. 1, 1999); *High-Risk Series: An Update*, GAO-01-263 (Washington, D.C.: Jan. 1, 2001); and *Major Management Challenges and Program Risks: Department of Education*, GAO-03-99 (Washington, D.C.: Jan. 2003).

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large volume of dollars at-risk, we undertook this study to determine (1) what FSA's default management goals were for fiscal years 2000 through 2002, (2) whether FSA had achieved its stated performance goals, and (3) whether school officials from schools with large potential losses from defaults—schools with high default rates or a high volume of dollars in default—had suggestions that indicated the need for additional default management goals.

To achieve our objectives, we reviewed HEA to identify FSA's roles and responsibilities, interviewed FSA officials responsible for overseeing and administering student aid programs, and obtained and analyzed available data and reports on FSA's performance goals and accomplishments for fiscal years 2000–2002. In addition, we interviewed FSA officials regarding assistance provided to schools, particularly, schools with high default rates and those with a high volume of dollars in default. We attempted to contact officials at 31 schools with high default rates or a high volume of dollars in default to ask them their views of the assistance provided by FSA and to obtain their suggestions on ways that FSA could better assist them. Officials from 23 of the 31 schools agreed to participate in our survey. We conducted our work between September 2002 and January 2003 in accordance with generally accepted government auditing standards. See appendix I for additional information about our scope and methodology.

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## Results in Brief

For fiscal years 2000 through 2002, FSA identified 39 default management goals designed primarily to prevent defaults, increase collections, or verify student eligibility. The default management goals included increasing students' awareness of their repayment obligations, verifying family income by matching student records with Internal Revenue Service (IRS) tax records, and locating defaulted borrowers through a national new hires database. However, the goals changed significantly between fiscal years 2000 and 2002 and were not tied to an overall plan. Specifically, although 5 of the 39 goals were continued for each of the 3 fiscal years and 6 others were continued for 2 years, 28 were single-year goals. Moreover, a majority of these single-year goals, 15 of the 28, were implemented in fiscal year 2002. FSA's documents did not explain the basis for establishing, continuing, or ending goals from year to year nor did FSA prepare 5-year performance plans as required by HEA.

On the basis of our analysis of FSA's internal documents, we determined that 36 of its 39 default management goals were met or exceeded during the 3-year period. FSA met its goal to recover more previously defaulted dollars than it lost through new defaults; it recovered \$4.87 billion



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compared to \$2.7 billion lost through new defaults. Also, FSA met its target to support the administration's efforts to improve its data matching capabilities with the IRS by proposing changes to legislation that would authorize expanded use of tax data. The 3 unmet goals were to (1) provide the Congress with a report by the end of fiscal year 2002 explaining the impact of voluntary flexible agreements (VFAs);<sup>2</sup> (2) implement a multiyear program during the 3-year period to reduce default rates over the life of the loan; and (3) prepare an analysis in fiscal year 2002 to identify improvements that could be made to the National Student Loan Data System (NSLDS)—a national database containing information on federal student loans and grants. Although FSA achieved nearly all of its default management goals, it did not provide to the Congress timely reports on its performance as required by HEA for fiscal years 2000 and 2001. In December 2002, FSA issued a single performance report for both fiscal years 2000 and 2001. The information in the report was not timely nor did it indicate whether or not the agency met established performance goals. As a result, the Congress does not know whether FSA achieved its goals for those years.

While 7 of the 23 officials from schools with high default rates or a high volume of dollars in default who participated in our survey made suggestions about ways that FSA could better assist them, none of these suggestions indicated the need for additional default management goals. FSA provided similar assistance to all schools, irrespective of their default rates or dollars in default, primarily by sharing default management best practices at its National Default Prevention Day symposiums and hosting conferences to disseminate default management information. FSA also provided individual assistance to some schools through on-site visits and telephone calls to address specific default management concerns such as preparing default management plans. Although 16 of the 23 officials said that they were generally pleased with one or more services provided by FSA, nearly a third suggested ways that FSA could better assist schools. Their suggestions included improving the usefulness and access to loan information in NSLDS, holding default management training sessions in locations near them, and making it easier to identify and contact the right FSA program officials to address concerns. These suggestions did not

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<sup>2</sup>A Voluntary Flexible Agreement provides a guaranty agency—a state or nonprofit private institution or organization that administers the FFEL program—flexibility to implement new practices, including default prevention or collections activities, by waiving or modifying some requirements established under federal statutes that apply to other guaranty agencies.



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indicate the need for additional default management goals because they either related to existing goals or addressed operational issues.

To assure the public that FSA has developed long-term goals that set the direction for its default management program, we are recommending that the Secretary of Education and FSA's Chief Operating Officer (COO) prepare and make available a 5-year performance plan annually, as required by HEA. In addition, to provide essential information to the Congress about FSA's progress toward achieving its goals, we are recommending that the Secretary of Education and FSA's COO prepare and issue performance reports to the Congress that are timely and clearly indicate whether established goals and performance targets were met.

FSA provided written comments on a draft of this report. In commenting on the draft, FSA generally agreed with our findings and said it would take actions to address our recommendations. FSA's written comments appear in appendix IV.

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## Background

Title IV of HEA authorized several student aid programs including the Federal Family Education Loan (FFEL) and the William D. Ford Direct Loan (Direct Loan) programs, the Federal Pell Grant program, and campus-based aid programs.<sup>3</sup> The FFEL and Direct Loan programs are the largest source of aid for students. The FFEL program<sup>4</sup> provides loans to eligible students and parents through participating private lenders that receive a federal guarantee of repayment if the borrower defaults. Under the Direct Loan program, eligible students and parents borrow funds directly from the federal government through participating schools. As of October 2002, about 6,400 schools participated in one or more of the title IV student aid programs. To be eligible to participate in the FFEL and Direct Loan programs, schools must manage their loan portfolios to keep the default rate for their loans below established limits.

The national student loan default rate, also known as the national cohort default rate (CDR), is defined as the percentage of borrowers who enter

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<sup>3</sup>Campus-based programs consist of the Federal Work-Study Program, the Federal Perkins Loan Program, and the Federal Supplemental Educational Opportunity Grant Program.

<sup>4</sup>The FFEL program comprises three loan programs: subsidized and unsubsidized Federal Stafford Loans (collectively referred to as Federal Stafford Loans) and Federal Supplemental Loans for Students (Federal SLS loans). Federal SLS loans have not been made since July 1, 1994.

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repayment status in a certain fiscal year and default before the end of the next fiscal year on Federal Stafford Loans and, under certain circumstances, Federal SLS loans, and Direct Stafford Loans. For example, the fiscal year 2000 CDR of 5.9 percent represents the percentage of borrowers whose first loan repayments came due between October 1, 1999, and September 30, 2000, and who, as of September 30, 2001, had defaulted. The national CDR is an aggregate of all postsecondary institutional default rates. The CDR for schools with 30 or more borrowers in repayment is calculated based on the percentage of borrowers entering repayment on loans in a fiscal year and defaulting during that fiscal year or the following fiscal year.<sup>5</sup> FSA issues draft CDRs and supporting data to schools in January or February of each year for review. A school may challenge the draft default rate information if it identifies inaccuracies in data. In addition, a school with CDRs of 25 percent or more for 3 consecutive years can appeal the draft rate if it can show that the number of students who obtained loans did not exceed approximately 3.8 percent of the total number of students at the school, while schools with CDRs over 40 percent in 1 year can appeal the draft rate if it can show that the number of students who obtained loans did not exceed approximately 6 percent of the total number of students at the school. FSA makes revisions as needed, and releases the final CDR to the schools and the public no later than September 30 of each year.

Unless a school has 30 or fewer borrowers who entered repayment for the 3 most recent fiscal years, it could lose its eligibility to participate in some title IV student aid programs if its final CDR exceeds established thresholds. For example, under HEA, if schools have CDRs of 25 percent or more for 3 consecutive years, they face loss of eligibility to participate in the FFEL and Direct Loan programs.<sup>6</sup> A regulation imposes the same restriction on eligibility if schools have CDRs exceeding 40 percent in a given year. Additionally, schools that are ineligible to receive FFEL and Direct Loans due to CDRs of 25 percent or more for 3 consecutive years are also generally prohibited by statute from receiving Pell Grants. These schools are subject to suspension from title IV programs for the remainder of the fiscal year in which FSA notifies them of termination and the following 2 fiscal years. However, schools have appeal rights and retain

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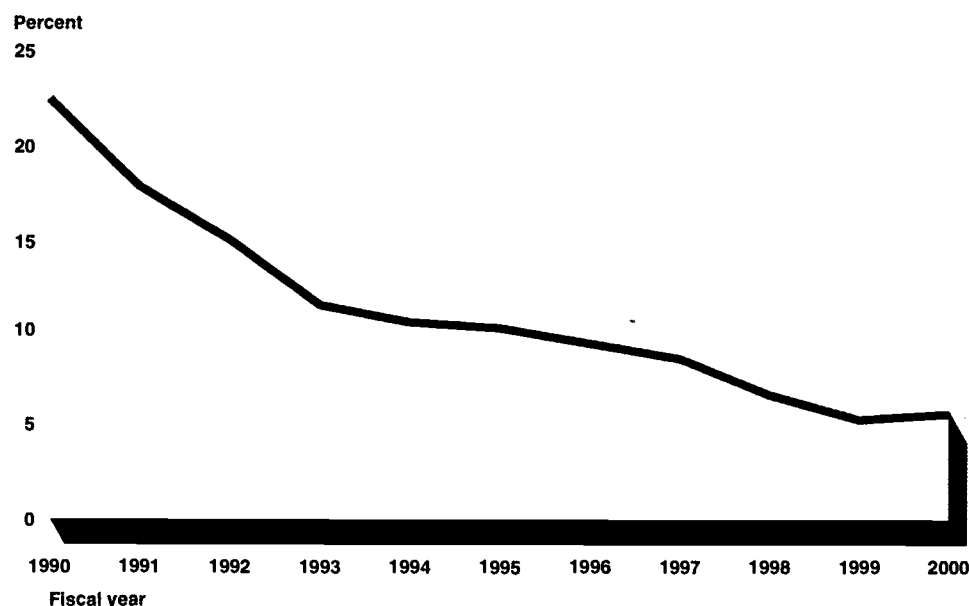
<sup>5</sup>If a school has fewer than 30 borrowers entering repayment in a given fiscal year, the default rate is averaged over a 3-year period.

<sup>6</sup>Previous default thresholds established under the HEA were 35 percent or higher for fiscal years 1991 and 1992 and 30 percent or higher for fiscal year 1993.

program eligibility while their appeals are pending. Schools may apply to be reinstated to participate in title IV loan and/or Federal Pell Grant programs after the later of the expiration of their suspension or 18 months after the effective date of their termination. Over the last decade, approximately 1,200 schools have been subject to suspension due to default rates above the 25 percent threshold for fiscal years 1998 through 2000.<sup>7</sup>

From fiscal year 1990 to fiscal year 1999, the national student loan default rate declined from 22.4 percent to 5.6 percent. In fiscal year 2000, the rate climbed slightly to 5.9 percent. Figure 1 shows the trend in national cohort default rates from fiscal years 1990 through 2000.

**Figure 1: Fiscal Years 1990-2000 National Cohort Default Rates**



Source: Department of Education.

<sup>7</sup>Schools included in this tally may have successfully appealed at a later date. FSA did not provide data on the number of postsecondary institutions that were subject to suspension as a result of default rates greater than 40 percent in a single year in time for our review.

Despite the overall progress made in reducing the national default rate, the cumulative student loan funds in default had doubled to almost \$22 billion by fiscal year 2001 from their fiscal year 1990 level of nearly \$11 billion. During this same time period, the total student loan portfolio grew by more than 400 percent from \$54.1 billion to \$233.2 billion and the defaults, as a percent of the total loan portfolio, declined from 20.1 percent to 9.4 percent. Table 1 shows the outstanding portfolio and defaulted loan balances for FFEL and Direct Loans as well as the total defaulted loans as a percentage of the total outstanding loan portfolio for fiscal years 1990 through 2001.

**Table 1: Total Student Loan Portfolio and Amounts in Default by Type of Loan for Fiscal Years 1990–2001**  
(nominal dollars in billions)

Fiscal Year	FFEL Outstanding Portfolio	FFEL Defaults*	Direct Loan Outstanding Portfolio	Direct Loan Defaults*	Total Outstanding Portfolio	Total Defaults	Total Defaults as a Percentage of Total Outstanding Portfolio
1990	\$ 54.1	\$ 10.9	--	--	\$54.1	\$10.9	20.1
1991	57.5	12.5	--	--	57.5	12.5	21.7
1992	62.0	13.6	--	--	62.0	13.6	21.9
1993	69.0	12.1	--	--	69.0	12.1	17.5
1994	80.0	12.5	<\$ 0.1	--	80.0	12.5	15.6
1995	92.9	20.6	2.7	--	95.6	20.6	21.5
1996	102.4	18.5	11.5	< \$0.1	113.9	18.5	16.2
1997	112.4	20.9	21.2	0.1	133.5	21.0	15.7
1998	122.4	23.8	31.9	0.3	154.3	24.1	15.6
1999	132.6	25.1	44.4	0.7	176.9	25.8	14.6
2000	146.6	20.3	56.3	1.2	202.9	21.5	10.6
2001	160.0	19.5	73.2	2.3	233.2	21.8	9.4

Source: Department of Education.

Note: the FFEL Program began disbursing loans in fiscal year 1966 and the Direct Loan program began disbursing loans in fiscal year 1994. Consequently, the earliest year that Direct Loans could have been in default was fiscal year 1996.

\*The total cumulative dollars in default for FFEL and Direct Loans consist of principal, interest, late fees, and administrative charges. The totals also reflect the amounts collected during that fiscal year.

FSA manages and administers the federal student financial assistance programs and is responsible for default management. Since 1990, because of concerns about Education's vulnerabilities to losses due to fraud, waste, abuse, and mismanagement, we have included student financial aid programs on our high-risk list. To address longstanding management weaknesses, the Congress amended HEA in 1998, establishing FSA as a

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performance-based organization (PBO) to improve Education's delivery of student financial aid services. As a PBO, FSA has increased flexibilities, subject to the direction of the Secretary of Education, in certain government operations, such as hiring and procurement, provided that it establish and operate according to a 5-year performance plan with measurable goals and specific annual performance targets. HEA also requires that FSA annually prepare and submit, through the Secretary of Education, a 5-year plan that is available to the public, and annual performance reports to the Congress. Furthermore, HEA requires FSA's Chief Operating Officer (COO) to ask its stakeholders about the degree of satisfaction with the delivery system and to seek suggestions on improvements.

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## **FSA's Default Management Goals Were Mostly to Prevent Defaults, Increase Collections, and Verify Student Eligibility, but the Agency Lacked a Plan to Guide its Efforts**

FSA identified 39 default management goals for fiscal years 2000 through 2002, which were mainly to prevent defaults, increase collections, or verify student eligibility. However, FSA did not prepare annual 5-year performance plans required by HEA. Such plans would have helped set the overall direction for FSA and guided its default management and other agency goals.

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## **FSA Identified 39 Default Management Goals During Fiscal Years 2000–2002**

FSA goals aimed at preventing student loan defaults included such efforts as increasing students' awareness of their repayment obligations through various publications, using voluntary flexible agreements with four guaranty agencies to prevent defaults, and pursuing default management strategies such as using software to assist schools in identifying delinquent Direct Loan borrowers at risk of default.<sup>8</sup> FSA's goals to increase collections focused on facilitating repayment for borrowers in good

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<sup>8</sup> A borrower is considered delinquent when at least one regularly scheduled payment has been missed. A borrower is generally considered in default for failing to make required payments within 270 consecutive days of entering loan repayment or otherwise violating the terms of the promissory note.

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standing as well as aggressively pursuing those in default. For example, they planned to use tools such as Internet billing and on-line correspondence to facilitate repayment for borrowers in good standing and used administrative wage garnishments and federal tax refund recoveries to pursue borrowers in default. These collection goals included fostering competitive behavior among its private collection agencies to increase collections on defaulted loans, matching student loan records with federal databases such as the Health and Human Services (HHS) National Directory of New Hires database<sup>9</sup> to locate defaulted borrowers, and using other available default recovery methods. The FSA goals to improve student eligibility included verifying students' or their families' income through a data match with Internal Revenue Service (IRS) records and apprising foreign postsecondary institutions about the rules and regulations for title IV assistance and the need to limit financial aid awards to eligible students only.

Of FSA's 39 default management goals during fiscal years 2000 through 2002, 5 were continued throughout the period and 6 more were continued for 2 of the 3 years. Specifically, the goals that continued for all 3 years were to maintain the cohort default rate, implement and monitor voluntary flexible agreements with a limited number of guaranty agencies, reduce default rates over the life of the loan,<sup>10</sup> increase the recovery rate for defaulted loans, and increase the number of student aid applications filed electronically. As for those that continued for 2 years, they addressed (1) reports to the Congress on the progress and performance of VFAs, (2) student awareness publications, (3) use of the new hires database, (4) NSLDS data quality, (5) program monitoring and assistance to schools, and (6) eliminating fraudulent death and disability cases. Further, most of these goals began in 2001 and were continued in 2002.

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<sup>9</sup>The Department of Health and Human Services' Office of Child Support Enforcement maintains the National Directory of New Hires (NDNH) database. Within 20 days of hire, employers must submit the names, addresses, and social security numbers of new employees to the State Directory of New Hires. This information is then submitted to the NDNH, which also includes quarterly wage data from every state and federal agency and unemployment insurance data from all state employment agencies. Although the database was originally used for child support enforcement, its authorized use was expanded to locate borrowers with defaulted student loans in 2001.

<sup>10</sup> FSA recognizes that there are limitations to its cohort default rate, namely the relatively short time-frame within which the agency can monitor loan defaults. The lifetime default rate would expand the window of analysis from two years under the current measure to 15 years or the average life of a federal student loan.

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However, 28 of the 39 goals were single year goals—6 were implemented in fiscal year 2000, another 6 were implemented in fiscal year 2001, and 16 more were implemented in fiscal year 2002. Such significant changes may reflect the fact that FSA did not have a long-term plan to direct its default management goals. Although agency officials stated that many of the goals were reached and did not need to be continued in the next year, some were discontinued for various other reasons. For example, agency officials indicated that a 2001 goal to implement a pilot program to track student enrollment at foreign schools in an effort to reduce the potential of loans being obtained through fraudulent means was completed. However, available documents show that the pilot program was discontinued because a key institution complained that the program requirements were too burdensome and withdrew from the pilot. Furthermore, it is not clear from available documentation whether this program will be revisited or continued in subsequent years, even though foreign schools collectively administer more than \$225 million in federal student financial assistance. Recently, GAO reported<sup>11</sup> that the agency certified a fictitious foreign school to participate in the FFEL program and approved loans for three fictitious students. As such, there continues to be a need for the agency to have a goal to reduce the potential for students at foreign schools to obtain loans through fraudulent means. Appendix II lists FSA's default management goals for fiscal years 2000, 2001, and 2002.

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### FSA Did Not Prepare a 5-Year Performance Plan to Guide Its Efforts

Although FSA prepared several internal planning documents that identified its default management goals for each year, as we reported previously,<sup>12</sup> Education failed to prepare annual 5-year performance plans as required by HEA to guide its default management and other agency goals. FSA prepared a performance plan for the 2000–2004 fiscal years, but the goals in that plan were only for fiscal year 2000. Additionally, FSA did not prepare performance plans for the periods covering fiscal years 2001 to 2005 or fiscal years 2002 to 2006. FSA officials stated that their interpretation of the law allowed them to release a plan every 5 years and operate with annual internal plans.

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<sup>11</sup>U.S. General Accounting Office, *Guaranteed Student Loan Vulnerabilities*, GAO-03-268R (Washington, D.C.: Nov. 21, 2002).

<sup>12</sup>U.S. General Accounting Office, *Federal Student Aid: Additional Management Improvements Would Clarify Strategic Direction and Enhance Accountability*, GAO-02-255 (Washington, D.C.: Apr. 30, 2002).



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FSA prepared internal documents that identified its default management goals for fiscal years 2001 and 2002. These documents listed the goals for each year separately, identified the responsible managers or units, specified the time frames involved, and sometimes described specific steps for implementation and expected outcomes. However, they did not explain the basis for changing the goals or relate them to longer-term agency goals.

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## **FSA Met or Exceeded Most Goals, but Did Not Prepare Timely Performance Reports**

According to our analysis of FSA's internal documents, we determined that the agency met or exceeded performance targets for 36 of its 39 default management goals during fiscal years 2000 through 2002. However, as previously reported, Education did not prepare timely reports on FSA's performance for fiscal years 2000, as required by HEA. FSA also did not issue a timely report for fiscal year 2001. FSA's performance report for fiscal year 2002 was not due at the time of this review.

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## **FSA Met or Exceeded Performance Targets for Most of Its Default Management Goals**

FSA met or exceeded nearly all of the performance targets related to its 39 default management goals during fiscal years 2000 through 2002. For example, FSA met its goal to ensure that default recoveries exceeded new defaulted dollars in fiscal year 2002 by recovering \$4.87 billion compared to the \$2.7 billion that went into default. Also, FSA met its target to support the administration's efforts to improve its data matching capabilities with the IRS by proposing changes to legislation that would authorize expanded use of tax data. Additionally, FSA met its fiscal year 2000 goal to expand its capabilities that allow students to edit and save changes to federal student aid applications on the Web. FSA exceeded most of its performance targets for defaulted loan collection goals. For example, FSA exceeded its 2002 goal to increase the combined recovery rate for guaranty agencies to 15 percent by 1.76 percentage points. The agency also exceeded its 2002 goal to collect \$200 million in defaulted loans by \$60 million through expanded use of the Department of Health and Human Services National Directory of New Hires database.

FSA did not achieve three of its default management goals during the 3-year period. These goals were to (1) prepare a report to the Congress by the end of fiscal year 2002 on the voluntary flexible agreements, (2) implement a multiyear program in each of the three fiscal years to further reduce defaults over the life of the loan, and (3) analyze NSLDS to identify improvements that could be made in fiscal year 2002. While each of these goals was listed for at least 2 of the 3 fiscal years, FSA did not always provide information on why they were not achieved. Appendix III

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lists the default management goals and indicates whether the goals were met.

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### **FSA's Fiscal Years 2000 and 2001 Performance Report Was Not Timely and Did Not Indicate Whether Goals Were Met**

FSA did not prepare performance reports that conform to the requirements in HEA for fiscal years 2000 and 2001. HEA requires FSA to issue a performance report for each year that includes an evaluation of the extent to which the goals established in the prior year's plan were met. In December 2002, FSA issued a performance report that included its accomplishments for both fiscal year 2000 and fiscal year 2001. Furthermore, although the report lists several accomplishments, it does not provide related performance goals. Therefore, the report does not clearly indicate the extent to which goals were or were not met. For example, the report points out that the collections on defaulted student loans increased from \$191 million in fiscal year 1999 to \$228 million in fiscal year 2000 to \$230 million in fiscal year 2001. Although the increases are noteworthy, there is no information on the related goal, or whether or not the goals were actually met. Additionally, the report includes information on accomplishments that did not occur during fiscal years 2000 and 2001. For example, the report states that in early 2002 the Department delivered a report to the Congress on the VFAs, distributed a foreign schools handbook in May 2002, and piloted electronic billing and payment in the Direct Loan program in January 2002 and went into full production in March 2002. Education did not include the related fiscal year 2002 performance goals.

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### **Surveyed School Officials' Suggestions Did Not Indicate the Need for Additional Goals**

Although nearly a third of the school officials that participated in our survey made suggestions about ways that FSA could better assist them, none of the suggestions indicated that FSA needed additional default management goals. FSA provided similar assistance to all schools by sharing default management strategies and information through symposiums, workshops, and other media, and provided individual assistance to some schools through on-site visits and telephone calls. Although officials from 16 of the 23 schools reported that they were pleased with one or more services provided by FSA, 7 of the 23 officials suggested ways that FSA could better assist them. Their suggestions included improving the usefulness and access to loan information in NSLDS, providing opportunities for more localized default management training, and making it easier to identify and contact the right FSA program officials to address technical concerns. However, these suggestions did not indicate a need for additional default management

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goals because they either related to existing goals or addressed operational issues.

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### **FSA Provided General Assistance to All Schools and Individual Assistance to Some**

FSA provided general assistance to all schools, including those with high default rates and those with a high volume of dollars in default, and provided individual assistance to some schools to assist with their default management efforts. According to FSA officials, one of its primary methods of assisting schools is through its National Default Prevention Day symposium, a 1-day event to share default management best practices. In 2001 and 2002, FSA sponsored this event in 12 cities nationwide and invited officials from numerous entities, including schools participating in federal loan programs, lenders, and guaranty agencies. FSA also provided schools with default management information at various conferences and through its Information for Financial Aid Professionals (IFAP) Web site. For example, at a November 2002 FSA Electronic Access Conference, FSA officials provided information on the late-stage delinquency assistance initiative intended to help schools identify delinquent Direct Loan borrowers at risk of default. FSA also provided technical publications, regulations, and policy guidance on the administration of the federal student aid programs to schools through the IFAP Web site. FSA officials also said they provided individual assistance to some schools through on-site visits and telephone calls. FSA officials said during a typical on-site visit to a school, they presented information to school officials on the various aspects of default prevention and the advantages of forming a default management team comprised of representatives from various offices. They also helped schools establish individual default management plans, if the school did not want to use the standard one developed by FSA, and they helped assess the schools' default management and prevention practices. A total of 16 of the 23 school officials reported that they were generally pleased with one or more services provided by FSA, with most commenting that the assistance was useful in helping them to keep their default rates and/or dollars in default low.

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## Suggestions From Survey Respondents Did Not Indicate the Need for Additional Goals, But Could Serve to Improve FSA's Assistance to Schools

The 11 suggestions made by officials at 7 of the 23 schools responding to our survey did not indicate the need for additional goals because either FSA already had goals related to them or the suggestions related to operational matters. Nonetheless, the suggestions could help FSA to better assist schools with their default management efforts. FSA had goals that addressed, to some extent, five of the suggestions. Officials made 4 suggestions to improve the usefulness of loan data and access to the loan information in NSLDS. One school official suggested that FSA could improve the usefulness of NSLDS data by allowing users to distinguish the principal amount borrowed, the accrued interest, and service charges. A second school official suggested that the data be updated more frequently to remove students that are no longer in default to help prevent schools from making unnecessary calls. Another school official suggested that FSA provide historical data detailing the breakout of dollars going into default. Besides these suggestions, a fourth school official suggested that FSA provide easier access to the system for guarantors and allow them to view school specific information on delinquent and defaulted borrowers. FSA had goals to improve the NSLDS in 2000 and 2002. FSA's fiscal year 2000 NSLDS goal was to continue to work with guaranty agencies and lenders to maintain the quality of data in NSLDS and its fiscal year 2002 NSLDS goals were to analyze NSLDS data to identify students ineligible for federal aid. An official from a large public university with a high volume of dollars in default suggested that FSA provide a profile of the various demographic groups that make up the school's CDR. In support of its continuing goal to keep the default rates low, FSA provides schools—at their request—with default rate analysis tools to assist them in identifying the defaulted student population. FSA typically shares information about default management tools at its National Default Prevention Day symposiums. This official attended the national default prevention day in 2001 but was still unaware of the analysis tool. This suggestion indicates that there may be a need for additional ways to disseminate information about default analysis tools.

The remaining 6 suggestions addressed operational issues—where training is held, who to contact with questions, and when information is shared. Three school officials suggested that FSA hold default management training sessions in locations near them because they lacked funding to travel to FSA's National Default Prevention Day symposiums and/or conferences held in larger cities, such as Washington, D.C., and San Francisco. Two of the officials were from small proprietary schools and the other was a large public university. Additionally, two officials suggested that FSA provide better ways to identify and contact appropriate program officials to address their default management

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concerns. One official said that he and others have had difficulty getting FSA staff to return their telephone calls and finding the right FSA program official to address their concerns. This school official suggested that FSA develop a guide to identify appropriate program officials. The other school official expressed frustration that FSA staff was not always knowledgeable about the loan data for her school. This school official suggested that FSA make certain staff members responsible for knowing about information related to particular schools. Finally, one school suggested that FSA provide schools with updates on changes in federal student aid information at the beginning of the calendar year instead of during the fall enrollment season, which typically begins in August or September. While these suggestions do not indicate the need for additional goals, they indicate areas where school officials would like changes made.

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## Conclusions

FSA has identified many default management goals and its internal documents and reports indicate that it achieved most of its default management goals for fiscal years 2000 through 2002. Furthermore, school officials who responded to our survey did not offer suggestions that indicated FSA should have additional goals. However, neither the Congress nor the public can determine whether FSA's default management or other program goals are in support of long-term program objectives or whether goals have been met because FSA has not prepared annual plans and issued performance reports as required by HEA. The legislation authorizing FSA as a PBO requires the agency to operate within the framework of a clear plan and to be accountable by reporting annually on its progress. Without the required plans and timely and clear performance reports, neither the Congress nor the public can determine whether FSA, as a PBO, is operating within the spirit of the law and making progress toward achieving its goals.

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## Recommendations to the Secretary of Education

To ensure the public that FSA has established and sustained default management and other program goals that support long term objectives, we recommend that the Secretary of Education and FSA's Chief Operating Officer (COO) produce a 5-year performance plan annually as required by HEA.

To provide essential information to the Congress about its progress toward achieving default management and other agency goals during a given year, we recommend, as we did in 2002, that the Secretary of Education and FSA's COO prepare and issue reports to the Congress on

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FSA's performance that are timely and clearly identify whether performance goals were met.

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## Agency Comments and Our Evaluation

We received written comments on a draft report from FSA. These comments are reprinted in appendix IV. FSA said that it would take actions to address our recommendations. FSA recognized the requirement to annually produce a 5-year plan and said it would revise the plan this spring. FSA also said that it would meet the deadline to finalize the fiscal year 2002 annual report. Additionally, FSA suggested that we include information on the total loan portfolio to provide a more balanced presentation of the dollar increase in the defaulted loan portfolio, which we have done.

However, FSA disagreed with our assessment that its internal plans were not appropriate to guide its default management efforts. FSA stated that its results clearly demonstrate that its internal plans, coupled with Education's strategic and annual plans, were appropriate to guide its efforts. As we have noted in this report, HEA requires FSA to prepare annual 5-year plans in consultation with the Congress, institutions of higher education, and other stakeholders. This planning process helps to increase accountability and ensure that the goals are relevant to stakeholders. Furthermore, Education's annual and strategic plans only discuss default management goals in broad terms that are not specific enough to guide FSA's default management efforts.

Additionally, FSA questioned our assessment that its internal planning documents did not explain the basis for establishing, continuing, or ending goals from year to year. FSA stated that the fiscal year 2002 documentation was reasonable for explaining the basis for establishing, continuing, or ending projects. While the fiscal year 2002 documentation provided more detail than the documents for fiscal years 2000 and 2001, it did not explain why goals were established, continued, or ended from one year to the next.

Further, FSA stated that we improperly indicated that the National Student Loan Data System (NSLDS) data quality effort was a goal for only two years. We reported this as a "2-year" goal based on the documentation FSA provided. The documentation listed NSLDS as a goal for fiscal years 2000 and 2002, but not for fiscal year 2001.

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We are sending copies of this report to the Secretary of Education, the Chief Operating Officer of Education's Office of Federal Student Aid, the



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Director of the Office of Management and Budget and appropriate congressional committees. Copies will also be made available to other interested parties upon request. Additional copies can be obtained at no cost from our Web site at [www.gao.gov](http://www.gao.gov).

If you or your staff should have any questions, please call me at (202) 512-8403. The key contributors to this report are listed in appendix V.

Sincerely yours,



Cornelia M. Ashby  
Director, Education, Workforce  
and Income Security Issues



# Appendix I: Scope and Methodology

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Overall, we obtained and reviewed several key documents, interviewed responsible officials, and surveyed officials from selected institutions of higher education. We reviewed HEA to identify FSA's<sup>1</sup> overall responsibilities and reporting requirements as a performance-based organization and to obtain background on the various types of student aid programs it authorizes. We also reviewed our prior reports and other documents to obtain background information and perspective on operational challenges faced by FSA. In addition, we obtained and analyzed fiscal year 1990 to 2001 trend data on the number of borrowers, default rates, and dollars in default for the guaranteed and Direct Loan programs.

To determine what FSA's default management goals were for fiscal years 2000 through 2002, we reviewed various FSA internal planning documents, including program plans for fiscal years 2000, 2001, and 2002. These documents listed the goals for all FSA programs, including the default management goals. Additionally, we reviewed FSA's High-Risk Plan for fiscal year 2002, which summarized the major actions the agency planned to take with regard to default management and other issues in order to remove its student financial assistance programs from our high-risk list.<sup>2</sup> We also interviewed FSA officials responsible for managing and administering student financial assistance programs in order to clarify which goals were related to default management. On the basis of these documents and information obtained from the interviews, we developed a summary of the default management goals for fiscal years 2000 through 2002.

To determine whether FSA had achieved the performance targets for its default management goals, the second objective, we obtained and analyzed available data and reports related to the performance for fiscal years 2000, 2001, and 2002 goals. We discussed both the performance targets achieved and the performance targets missed during interviews with FSA officials. We determined whether a goal was met or not by

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<sup>1</sup>FSA was formerly known as the Office of Student Financial Assistance (SFA). The name of SFA was changed to Federal Student Aid on March 6, 2002.

<sup>2</sup>In 1990, we initiated a High-Risk Program to highlight governmentwide high-risk areas including fraud, waste, abuse, and mismanagement. FSA's student loan program has been on the high-risk list since 1990. The other student aid programs were included in the High Risk List in 1995.

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reviewing the agency's collective efforts over a 3-year period, where applicable.

To determine whether school officials from schools with high default rates or high dollars in default had suggestions that indicated the need for additional default management goals, our third objective, we reviewed title IV school eligibility regulations, interviewed FSA officials, analyzed default data, and surveyed officials from selected schools. We identified and reviewed title IV eligibility criteria for program participation, including the cohort default rate (CDR),<sup>3</sup> which is used to determine a school's continued eligibility to participate in FFEL, Direct Loan, and Federal Pell Grant programs and procedures for reinstatement after schools are removed from the program. We interviewed FSA officials responsible for assisting schools with their default management efforts to determine the types of assistance provided to all schools, ascertain whether FSA provided additional assistance to schools at risk of losing their eligibility to continue participating in the student loan programs due to high default rates, and determine whether any additional assistance was provided to schools with high amounts of dollars in default. We participated in the 2002 National Default Prevention Day held in August 2002 in Washington, D.C., because this was one of the primary methods FSA officials use to provide default management information to schools. Additionally, we reviewed regional listings of school visits made by FSA during fiscal years 2000, 2001, and 2002.

We obtained data on default rates for fiscal years 1999 and 2000 (about 6,000 schools) and dollars in default for fiscal year 2000 (about 5,000 schools) for all schools that participated in the Title IV programs. We analyzed fiscal year 1999 default rate data to identify those with default rates above the regulatory thresholds – default rates at or above 25 percent for 3 consecutive years or above 40 percent in one year. We determined that a total of 55 schools had default rates that exceeded regulatory thresholds, 46 of these were excluded from our review due to exceptional mitigating circumstances, such as having 30 or fewer borrowers in repayment on loans, and the remaining 9 schools were candidates for removal from the loan programs. FSA officials verified our analysis. We also obtained and analyzed data on default rates and dollars in default for

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<sup>3</sup>The cohort default rate is defined as the percentage of borrowers who enter a repayment status in a certain fiscal year and default before the end of the next fiscal year on certain FFEL and Direct Loans.

fiscal year 2000 to identify schools with default rates between 20 and 24 percent for 3 consecutive years or with default rates between 30 and 39 percent in 1 year—those at risk of removal from the program. We identified 26 of these schools. In addition, we obtained data from FSA officials on all schools with defaulted loans (about 4,000) and the amount of dollars in default for each school. We analyzed the data and identified 47 schools with at least \$1 million in defaulted loans as of fiscal year 2000.

We developed a survey designed to determine the extent that officials from schools with high default rates and schools with high volumes of dollars in default were knowledgeable about the methods used by FSA to assist them, had participated in any of the FSA conferences or used any of the tools provided by FSA. Additionally, the survey asked the officials about their views of the assistance provided by FSA and if they had suggestions about ways that FSA could better assist them. We focused on schools with high default rates because historically they were a significant factor contributing to high national cohort default rates, and schools with high dollars in default because they represent most of the total dollars in default.

We selected and attempted to contact officials at 31 postsecondary schools, which included 4-year institutions, 2-year institutions, and non-degree institutions. Although the 31 schools are not statistically representative of the universe of postsecondary schools that receive title IV funds, we selected them to provide a cross-section of schools with high default rates and high dollars in default. Our sample included all 9 schools with default rates above regulatory thresholds based on fiscal year 1999 CDRs, the latest data available at the time we drew the sample. We also randomly selected 12 schools with default rates near regulatory thresholds based on fiscal year 2000 CDRs, and 10 randomly selected schools with \$1 million or more in defaulted loans as of fiscal year 2000. We limited the number of schools in the randomly selected groups in order to have the three groups of nearly equal size. In total, directors or financial aid administrators from 23 schools participated in our survey. The 23 schools consisted of 7 of the 9 schools with CDRs above regulatory thresholds, 6 of the 12 schools with CDRs near the regulatory thresholds, and all 10 of the schools with a high volume of dollars in default. Table 2 summarizes the postsecondary schools that participated in our survey.

**Table 2: Summary of Postsecondary Schools That Participated in Our Survey**

	CDRs above regulatory limits <sup>a</sup>	CDRs near regulatory limits <sup>b</sup>	High volume of dollars in default (\$1 million or more)
	No. Participated	No. Participated	No. Participated
4-Year Institution	—	—	9
2-Year Institution	2	1	1
Non-Degree Institution	5	5	—
Total = 23	7	6	10

Source: GAO.

<sup>a</sup>This included schools that had default rates of 25 percent or more for three consecutive years and schools with default rates of greater than 40 percent in a single year.

<sup>b</sup>This included schools with default rates between 20 and 24 percent for three consecutive years and those with default rates between 30 and 39 percent in 1 year.

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# Appendix II: FSA's Default Management Goals for Fiscal Years 2000-2002

Goal Number	Goal Description	2000	2001	2002
1.	Demonstrate pursuit of improved default management and prevention strategies.			X
2.	Increase by 25 percent the number of visitors to the Direct Loan (DL) Servicing Web site.			X
3.	Implement improved DL servicing infrastructure to better support financial management reporting and customer service.			X
4.	Integrate the Debt Management Collection System (DMCS) into the common borrower system.			X
5.	2002: Keep the loan program's cohort default rate under 8 percent. 2001: Keep the cohort default rate under 8 percent. 2000: Keep the cohort default rate under 10 percent.	X	X	X
6.	2002: Monitor the existing Voluntary Flexible Agreements <sup>a</sup> (VFA) and provide operational oversight. 2001: Implement and monitor at least four VFAs for program participation. Launch all four no later than March 2001. 2000: Enter into no more than six voluntary flexible agreements (VFAs).	X	X	X
7.	2002: Publish and release the VFA Report to the Congress. 2001: Submit a report to the Congress on the viability of expanding the VFA pilot.		X	X
8.	Work with the guaranty agency community to establish common performance metrics primarily in the areas of delinquency, default aversion and collections.			X
9.	2002: Implement a multi-year program to further reduce cohort and lifetime default rates. 2001: Establish a program and multi-year goals to further reduce the cohort and lifetime default rates. 2000: Reduce the lifetime default rate.	X	X	X
10.	Utilize the Financial Partners Data Mart as a basis to establish risk management assessment ability of lenders, servicers, and guaranty agencies.			X
11.	Identify institutions abusing FSA programs through data mining using student information.			X
12.	2002: Publish and disseminate five new student aid awareness publications 2001: Create new product delivery approach that will increase student aid information to students and parents.		X	X
13.	Implement Internet billing and online mailing for Direct Loan Servicing.			X
14.	Pilot data mining and analysis projects in DL Servicing Center aimed at improving regular collections.			X
15.	Ensure that default recovery totals exceed default claim totals for the year.			X
16.	Increase the number of lenders using electronic funds transfer for Direct Consolidation by 100 percent, from 13 to 26.			X
17.	2002: Increase the default recovery rate to 15 percent. 2001: Keep the default recovery rate at 10 percent or higher. 2000: Keep the default recovery rate at 10 percent or higher.	X	X	X
18.	Improve default recovery rate to new goal of \$914 million.			X
19.	2002: Expand the use of the National Directory of New Hires database to recover \$200 million in defaulted student loans. 2001: Implement the National Directory of New Hires database matching program.		X	X

<sup>a</sup>A Voluntary Flexible Agreement (VFA) provides a guaranty agency flexibility to implement new practices, including default prevention or collections activities by waiving or modifying some requirements established under federal statutes that apply to other guaranty agencies. In fiscal year 2002, FSA had four such agreements.

**Appendix II: FSA's Default Management  
Goals for Fiscal Years 2000-2002**

Goal Number	Goal Description	2000	2001	2002
20.	Continue use of performance-based default collections contracts.			X
21.	2002: Support the administration's efforts to improve the data match with the IRS. 2001: Analyze the results of IRS statistical study regarding electronic data match.		X	X
22.	Demonstrate value of National Student Loan Data System (NSLDS) default match.			X
23.	2002: Prepare annual NSLDS analysis of students who receive loans although they appear to be in default and identify improvements that can be made 2000: Continue to work with guaranty agencies and lenders to maintain the quality of data in NSLDS.	X		X
24.	2002: Increase the number of Free Applications for Federal Student Aid (FAFSAs) filed electronically from 5 million last year to 5.5 million with 55 percent via the Web product. 2001: Increase the number of FAFSAs filed electronically from 4 million to 5 million with 50 percent via the Web product. 2000: Increase the number of FAFSAs filed electronically from 3 million to 4 million.	X	X	X
25.	Use the Common Origination Disbursement System to institute an eligibility check for valid Individual Student Information Record on file for all Direct Loan recipients.			X
26.	2002: Develop metrics to demonstrate that there is an appropriate balance between providing technical assistance to schools and program monitoring. 2001: Increase program reviews by 20 percent.		X	X
27.	Increase the total number of borrowers repaying their Direct Loans through electronic debiting to a minimum of 400,000 borrowers.		X	
28.	Provide Spanish language deferment and forbearance requests at DL Servicing Web site.		X	
29.	Educate the foreign school community about FSA program requirements to reduce noncompliance.		X	
30.	Implement a pilot program at foreign schools that would prevent false enrollments.		X	
31.	Make a determination on the initial cohort of recertification applications for all foreign non-medical schools eligible to participate in the Federal Family Education Loan Program.		X	
32.	2001: Augment the continuing campaign to eliminate false death and disability. 2000: Reduce fraudulent death and disability cases below 1998 baseline.	X	X	
33.	Conduct and complete investigative analysis on the remaining 1,300 discharges of death and disability cases identified from the Inspector General audit.		X	
34.	Expand FAFSA correction on the Web capabilities.	X		
35.	Partner with National Student Loan Clearinghouse to eliminate mismatches in enrollment information.	X		
36.	Try at least five new ways to make debt collection more effective, less costly, and more customer-service oriented.	X		
37.	Increase by five, the number of guaranty agency partnerships with FSA designed to improve portfolio management.	X		
38.	Expand current initiatives to help noncompliant schools and schools on reimbursement prepare action plans to improve their management of title IV programs.	X		
39.	Increase the default recovery rate for loans in default held by guaranty agencies.	X		

Source: Department of Education.

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# Appendix III: FSA's Default Management Goals and Outcomes for Fiscal Years 2000-2002

Goal Number	Goal/Strategy Description	Actions	Outcomes	Goal met?*
1.	Demonstrate pursuit of improved default management and prevention strategies.	Identify three risk elements that impact a borrower's ability to pay. Also, link risk review efforts across channels into activities by Student Credit Management.	Identified the top three reasons contributing to delinquency in a sample of the direct loan portfolio: (1) 85 percent of borrowers did not have the advantage of a full 6-month grace period, (2) 76 percent had withdrawn from school, and (3) 57 percent had not been contacted. Also implemented several pilot initiatives to focus on the reasons identified for delinquency including increased borrower contact and other proactive activity.	Yes
2.	Increase by 25 percent the number of visitors to the Direct Loan (DL) Servicing Web site.	Increase visitors through continued enhancement of web functionality, marketing, and making announcements by phone messaging and mail correspondence.	Increased visitors by 186 percent. The DL Servicing Web site provides account information for borrowers, online account management and counseling for over 5.7 million active student loan borrowers with a total portfolio of \$73 billion.	Yes
3.	Implement improved DL servicing infrastructure to better support financial management reporting and customer service.	Negotiate phase-out of contractor. Modernization partner to assume accounting functions under a share-in-savings arrangement.	Expected benefits of retiring old financial reporting system: projected net savings by fiscal year 2005 of \$8-11 million and ongoing projected savings after fiscal year 2005 of \$4 million per year; improved customer service by providing a single source of financial data; and, increased data integrity and employee satisfaction by reducing training requirements for new or transferred employees.	Yes
4.	Integrate the Debt Management Collection System (DMCS) into the common borrower system.	Look at the imaging services provided by three current partners to identify commonalities that could be consolidated.	Better system in place for enhanced customer service. Also, data mining activities and data integrity are strengthened.	Yes



**Appendix III: FSA's Default Management  
Goals and Outcomes for Fiscal Years 2000-  
2002**

<b>Goal Number</b>	<b>Goal/Strategy Description</b>	<b>Actions</b>	<b>Outcomes</b>	<b>Goal met?"</b>
5.	2000: Keep the cohort default rate under 10 percent. 2001: Keep the cohort default rate under 8 percent. 2002: Keep the loan program's cohort default rate (CDR) under 8 percent.	Provide training and technical assistance, tools for interpreting student loan data, and default management plans.  Host Student Loan Repayment symposium, National default Prevention Day and a number of forums.  Help schools to identify borrowers at risk of default through the Late Stage Delinquency Assistance Program  Provide loan data to schools to aid in counseling.	The national CDR for 1998 was 6.9 percent, reported in 2000; the national CDR for 1999 was 5.6 percent, reported in 2001; and the national CDR for 2000 was 5.9 percent, reported in 2002. A total of 1,500 schools participated in National Default Prevention Day, which familiarized schools with FSA promoted default management software such as Late Stage Delinquency Assistance Program.	Yes
6.	2000: Enter into no more than six voluntary flexible agreements (VFAs). <sup>b</sup> 2001: Implement and monitor at least four VFAs no later than March 2001. 2002: Monitor the existing four VFAs and provide oversight.	Accept proposals from guaranty agencies. Establish VFAs for guaranty agencies or provide greater operating flexibility. Use performance measures developed in conjunction with guaranty community to monitor compliance and performance.	FSA received eight VFA proposals. One proposal was approved and awaited public comment. Three others were pending. Agreements signed with guaranty agencies in Wisconsin, Texas, Massachusetts, and California. Common general indicators used to evaluate performance of four VFAs in comparison to other guaranty agencies.	Yes
7.	2001: Submit a report to the Congress on the viability of expanding the VFA pilot. 2002: Publish and release VFA Report to the Congress	Provide a report to the Congress consistent with 1998 authorizing legislation on the current status of the VFAs. Use data from indicators, input from guaranty agency community as well as departmental offices to draft report.	Interim report released because of insufficient time to draw final conclusions on effectiveness of VFAs. As of January 10, 2003, FSA's draft had not received clearance for release by the secretary..	No
8.	Work with the guaranty agency community to establish common performance metrics primarily in the areas of delinquency, default aversion and collections.	Develop performance measures with community workgroup, including VFAs and other guaranty agencies to gain consensus. Regional staff will perform validation with program reviews.	Common general indicators created to evaluate the performance of each VFA performance and with guaranty agencies not participating in the agreements. The measures include: analyzing the dollar ratio of lender held loans, utilizing a trigger rate, and determining effectiveness at collection recoveries	Yes
9.	2000: Reduce the lifetime default rate. 2001: Establish a program and multi-year goals, to reduce the cohort and lifetime default rates.	Convene "Student Loan Repayment Symposium". Use "best-in business" models as templates for improvements. Develop tools to better predict default rates and risk analysis. Use "best-in business" models as	Strategies from symposium used in repayment publication. Created reports identifying "buckets" of delinquency, identifying basic characteristics of delinquent borrower. Implemented a pilot using credit	No

**Appendix III: FSA's Default Management  
Goals and Outcomes for Fiscal Years 2000-  
2002**

<b>Goal Number</b>	<b>Goal/Strategy Description</b>	<b>Actions</b>	<b>Outcomes</b>	<b>Goal met?"</b>
	2002: Implement a multi-year program to further reduce cohort and lifetime default rates. <sup>c</sup>	templates for improvements. Develop tools to better predict default rates and risk analysis.	modeling to prioritize due diligence efforts. Not provided.	
10.	Utilize the Financial Partners Data Mart as a basis to establish risk management assessment ability of lenders, servicers, and guarantee agencies.	Utilize a modified version of the system development life cycle methodology used to construct the data mart. Use the existing product designed to augment extracts to the system and link to current operating systems.	Improvements made include: access for guaranty users, creation of an initial risk scorecard to assess partner performance and elimination of contractor dependent reports.	Yes
11.	Identify institutions abusing FSA programs through data mining using student information.	Run interim update on Common Origination and Disbursement (COD). Use data mining to target noncompliant schools.	Information from Social Security Administration death match, proper interest rates in the DL servicing system, early identification of noncompliant schools, improvements to COD to ensure that upfront matches are in effect for DL originations.	Yes
12.	2001: Create new product delivery approach that will increase student aid information to students and parents. 2002: Publish and disseminate five new student aid awareness publications.	Use print and electronic media to provide greater access to student aid information. Obtain input from specified groups. Translate materials. Solicit information from individuals and organizations to determine the appropriate content for targeted audience, the clarity of materials and the best tool for information dissemination.	Publications produced on finding free scholarships, obtaining loan forgiveness programs for teachers, and avoiding student scams. Student aid information in different languages, formats aimed at targets audiences including 11 "one-pagers," a default management brochure for NDPD, a financial aid poster for Native American college-bound youth, aid information in Spanish, publications in Braille/audio media. Information to be distributed via high school counselors and others in contact with targeted audience as well as published in newsletters and magazines.	Yes
13.	Implement Internet billing and online mailing for Direct Loan Servicing.	Initiate at least one paper to electronic service conversion process. Electronic servicing will provide borrowers a state of the art tool for making payments, receiving bills and obtaining other correspondence.	Direct Loan model for Electronic Bill Presentment and Payment (EBPP): implemented 3/22/02. Web self-service (online correspondence: implemented 5/10/02). Aggregator Model for EBPP: implemented 7/29/02. An extensive communications and adoption strategy plan is being implemented to let borrowers know services are available.	Yes

**Appendix III: FSA's Default Management  
Goals and Outcomes for Fiscal Years 2000-  
2002**

<b>Goal Number</b>	<b>Goal/Strategy Description</b>	<b>Actions</b>	<b>Outcomes</b>	<b>Goal met?*</b>
14.	Pilot data mining and analysis projects in Direct Loan Servicing Center aimed at improving regular collections.	Develop and implement Credit Management Data Mart (CMDM) to conduct data mining and portfolio analysis. Utilize Late Stage Delinquency Assistance. Refine due diligence tactics. Study the correlation between credit score and delinquency.	The CMDM currently contains demographic and financial data for all direct loan borrowers and will include borrowers in default for all loan obligations held by the Department. Increased borrower contact efforts with higher balance loans. A study underway to determine if a correlation exists between a borrower's credit score and delinquency relationship.	Yes
15.	Ensure that default recovery totals exceed default claim totals for the year	Increase effectiveness of available collection tools: private collection agencies, treasury offsets, combined regular collections and loan rehabilitations. Utilize new tools where possible.	Estimated default claims: \$2.7 billion. Estimated default recoveries: \$4.87 billion. Default recovery rate 7.6 percent without consolidation. Default recovery rate 16.8 percent with consolidations.	Yes
16.	Increase the number of lenders using electronic funds transfer (EFT) for Direct Consolidation by 100 percent from 13 to 26.	Educate lenders about the time and cost savings benefits of EFT. Technical assistance is provided to lenders in the enrollment and other phases of the process.	76 lenders participating (292 percent enrollment); 3 additional lenders in process of enrolling. Allows FSA to renegotiate the loan consolidation contract for a potential savings of \$10 million in fiscal year 2002.	Yes
17.	2000: Keep the default recovery rate at 10 percent or higher. 2001: Keep the default recovery rate at 10 percent or higher. 2002: Increase the default recovery rate to 15 percent.	Shorten procurement process for private collection agencies. Use available collections tools such as Treasury offsets, administrative wage garnishments to pursue recover defaulted loans. Utilize available collection methods. Refer eligible accounts to private collection agencies for collection. Focus on existing collection methods to improve on past results. Provide excellent customer service to make collections process user-friendly.	Total collections: \$3.22 billion. Recovery rate 11.7 percent. Combined recoveries were \$5.102 billion. Exceeded goal by 1.5 percentage points, total collected \$4.87 billion.	Yes
18.	Improve default recovery rate to new goal of \$914 million.	Focus on existing collection methods to improve on past results.	Collected \$924.7 million	Yes
19.	2001: Implement the National Directory of New Hires database-matching program. 2002: Expand use of the National Directory of New Hires (NDNH) database to recover \$200 million in defaulted loans.	Establish procedures and a mechanism to match collections records again Health and Human Services database. At close of quarter, transmit two files (containing FSA and GA defaulted loan data) to Health and Human Services for comparison with NDNH files.	Collections totaled \$150 million. New information obtained for over 690,000 accounts. FSA collections through August: \$269 million. GA/FSA combined collections exceeded \$500 million.	Yes

**Appendix III: FSA's Default Management  
Goals and Outcomes for Fiscal Years 2000-  
2002**

<b>Goal Number</b>	<b>Goal/Strategy Description</b>	<b>Actions</b>	<b>Outcomes</b>	<b>Goal met?<sup>a</sup></b>
20.	Continue use of performance-based default collections contracts.	Track and rank order performance based on collection totals.	By driving private collection agencies (PCAs) to perform competitively, agency was able to increase recoveries and reduce costs.	Yes
21.	2001: Analyze the results of IRS statistical study regarding electronic data match. 2002: Support the administration's efforts to improve the data match with the IRS.	Compare income data that students and parents report on 2000-2001 FAFSAs with income reported to the IRS for 1999 calendar year. Work with Treasury to draft legislative language that allows Education to implement an effective income verification match with the IRS. FSA will work with IRS to test a "Consent for the IRS to Disclose Taxpayer Information" Web site.	Data helped FAFSA to identify error-prone applicants and minimize the amount of federal student aid dollars that are erroneously awarded to students each year. Legislative language sent to Joint Committee on Taxation and House and Senate leadership. FSA and IRS launched website on October 7, 2002. Eight postsecondary institutions participating in pilot. IRS agreement to permit 600 students and parents access to website for verification of 2001 tax data.	Yes
22.	Demonstrate value of National Student Loan Data System (NSLDS) default match.	Perform analysis of students that have been identified erroneously as ineligible for funds.	Latest computations of NSLDS default and other matches indicate that FSA has averted an amount equivalent to \$300 million a year in potential improper payments.	Yes
23.	2000: Continue to work with guaranty agencies and lenders to maintain the quality of data in NSLDS. 2002: Prepare annual NSLDS analysis of students who receive loans although they appear to be in default and identify improvements that can be made. <sup>d</sup>	Analyze loan and repayment data within NSLDS. Identify improvements that can be made to NSLDS.	Reporting burden of guaranty agencies reduced. Not on track due to other priorities.	No

**Appendix III: FSA's Default Management  
Goals and Outcomes for Fiscal Years 2000-  
2002**

<b>Goal Number</b>	<b>Goal/Strategy Description</b>	<b>Actions</b>	<b>Outcomes</b>	<b>Goal met?"</b>
24.	2000: Increase the number of Free Application for Federal Student Aid (FAFSAs) filed electronically from 3 million to 4 million. 2001: Increase the number of FAFSAs filed electronically to 5 million with 50 percent via Web product. 2002: Increase the number of FAFSAs filed electronically 5.5 million with 55 percent via Web product.	Increase user-friendliness of website. Introduce features such as incremental save to allow users to retain data input if unable to complete all at once. Make improvements to Web site. Increase visibility of Web product. Redesign web products and increase publicity. FSA staff to work closely with TRIO personnel and others who work with low-income students.	A little over 4 million FAFSAs filed electronically. 5,364,223 applications filed electronically. Over 61 percent of all electronic submissions used Web. 7.27 million filed electronically, 5.37 million filed via the web. Enhanced and increased the types of FAFSA on the Web Toolkit materials that financial aid administrators, counselors and other who work directly with students and their families.	Yes
25.	Use the Common Origination Disbursement (COD) system to institute eligibility check for valid Individual Student Information Record (ISIR) for Direct Loan recipients.	Implement eligibility check that is modeled on an existing check performed by the Pell system for eligible applicants.	Launched the COD system as part of FSA Integration Plan, integrating the Pell and Direct Loan processes. Schools no longer have to ensure valid ISIR data is on file for direct loan recipients.	Yes
26.	2001: Increase program reviews by 20 percent. 2002: Develop metrics to demonstrate that there is an appropriate balance between providing technical assistance to schools and program monitoring.	Conduct 163 on-site reviews at institutions. Hold discussions between the Schools Channel and the Management Improvement Team. Development for FY 2003 Performance Plan.	163 program reviews completed, seven institutions referred to IG for noncompliance. Preliminary measures developed. First calculations will take place in fiscal year 2003.	Yes
27.	Increase the total numbers of borrowers repaying their Direct Loans through electronic debiting to a minimum of 400,000 borrowers.	Increase the presence of electronic debit accounts (EDA) via mailers and allowing convenient enrollment at Web site.	EDA reduced mailing costs (by \$1,196,414) and provided borrower with an efficient method of payment.	Yes
28.	Provide Spanish language deferment and forbearance requests at DL Servicing Web site.	Develop Spanish website utilizing a translator from American Translators Association.	Spanish speaking borrowers are able to access and download deferment and forbearance forms in Spanish.	Yes
29.	Educate the foreign school community about FSA program requirements to reduce noncompliance.	Partner with guaranty agencies to provide training to foreign schools	Training provided in first quarter to schools in the United Kingdom and Canada. A focus group was formed and developed a foreign schools handbook. Also, conducted several demonstrations on electronic application to participate in title IV programs.	Yes

**Appendix III: FSA's Default Management  
Goals and Outcomes for Fiscal Years 2000-  
2002**

<b>Goal Number</b>	<b>Goal/Strategy Description</b>	<b>Actions</b>	<b>Outcomes</b>	<b>Goal met?"</b>
30.	Implement a pilot program at foreign schools that would prevent false enrollments.	Implement pilot program that enables foreign schools to enter enrollment data on the Web and guaranty agencies to verify data before loan funds are disbursed.	FSA has submitted recommendations for legislative and regulatory changes that would require lenders to verify student enrollment prior to disbursements.	Yes
31.	Make a determination on initial cohort of recertification applications for all foreign non-medical schools eligible to participate in the FFEL Program.	Recertify the initial cohort of foreign schools.	Eligibility determinations for all low-volume foreign schools completed in February 2001, high volume foreign institutions recertified by May 31, 2001.	Yes
32.	2000: Reduce fraudulent death and disability cases below 1998 baseline. 2001: Augment continuing false death and disability campaign.	Revise forms currently in use. Pilot centralized processing of disability claims for four guaranty agencies. Conduct periodic audits of NSLDS and credit bureau information. Follow-up on Inspector General (IG) estimates. Implement pilot that will serve as test run for regulations that go into effect in 2002.	Implemented three actions to strengthen initial screening process: (1) revise forms, (2) one-year pilot centralized processing with four guaranty agencies, and (3) conduct periodic audits using both NSLDS and credit bureau data. Further analysis conducted on 20,817 files with income within first year of discharge. Pilot successfully implemented in September 2001.	Yes
33.	Conduct and complete investigative analysis on remaining 1300 discharges identified from Inspector General audit.	Validate outcomes and disposition of the remaining 1,300 claims identified as "discharged."	Comprehensive report on outcomes of 1,300 discharges issued in April 2001 and forwarded to Inspector General.	Yes
34.	Expand FAFSA Correction on the Web capabilities.	None provided.	Popularity of this new function resulted in FSA having to increase its server capacity.	Yes
35.	Partner with the National Student Loan Clearinghouse (NSLC) to eliminate mismatches in enrollment information.	Enter into a partnership with NSLC based on successful implementation of data exchange.	Clearinghouse school student enrollment data received by Direct Loan Servicer up to 90 days earlier. Significant reduction (25 percent) in the percentage of in-school deferment forms required for completion by students.	Yes
36.	Try at least five new ways to make debt collection more efficient, less costly, and more customer service oriented.	Implement a process that will allow social security number discrepancies to be easily resolved. Automate data transfer with Justice. Shorten timeframe of wage garnishment hearings. Improve answer call rate for Debt Collection Service. Streamline the ability-to-benefit discharge review process.	Implemented standard procedures at all service centers, automated data transfer process, improved call rate to 95 percent, among other activities.	Yes



**Appendix III: FSA's Default Management  
Goals and Outcomes for Fiscal Years 2000-  
2002**

<b>Goal Number</b>	<b>Goal/Strategy Description</b>	<b>Actions</b>	<b>Outcomes</b>	<b>Goal met?"</b>
37.	Increase by five, the number of guaranty agencies partnered with FSA.	Publish agency rankings and other statistical data. Increase presence at industry meetings. Develop joint initiatives with guaranty agencies	Partnerships formed with USA Group, Texas Guaranteed Student Loan Corporation, Nebraska Student Loan Program, Oklahoma Student Loan Program, and South Dakota EAC. Agency rankings published for first time since fiscal year 1996, statistical data published through year, increased presence of department at industry association meetings and development of joint initiatives.	Yes
38.	Expand current initiatives to help noncompliant and reimbursement schools prepare action plans to improve their management of title IV programs.	Develop a welcome package for new title IV eligible schools. Establish baseline for new schools that will be analyzed at end of first year to provide feedback.	Reduced the percentage of school on reimbursement and/or cash monitoring by 30 percent.	Yes
39.	Increase the default recovery rate for loans in default held by guaranty agencies.	Increase emphasis placed in on guaranty initiatives.	Overall recovery rate: 18.13 percent, up from 15.52 percent in previous year.	Yes

Source: Department of Education.

"Our determination of whether or not a goal was met was based on our analysis of FSA's internal documents and considered the agency's collective efforts during the period in which the goals were in effect.

<sup>b</sup>As of March 2001, FSA entered into four VFAs with guaranty agencies.

<sup>c</sup>FSA continued its goal to establish a program to further reduce cohort and lifetime default rates in fiscal years 2000 through 2002. However, it is not clear what progress has been made on this goal beyond the initial success of the Repayment Symposium held in 2000.

<sup>d</sup> While FSA achieved an interim goal in fiscal year 2000 to improve the quality of NSLDS data, it failed to achieve its most recent goal to prepare an analysis of NSLDS data that would explain why some borrowers who are classified as defaulters continue to receive federal student aid.



# Appendix IV: Comments from the Office of Federal Student Aid



UNITED STATES DEPARTMENT OF EDUCATION  
STUDENT FINANCIAL ASSISTANCE  
WASHINGTON, D.C. 20202-6132

CHIEF OPERATING OFFICER

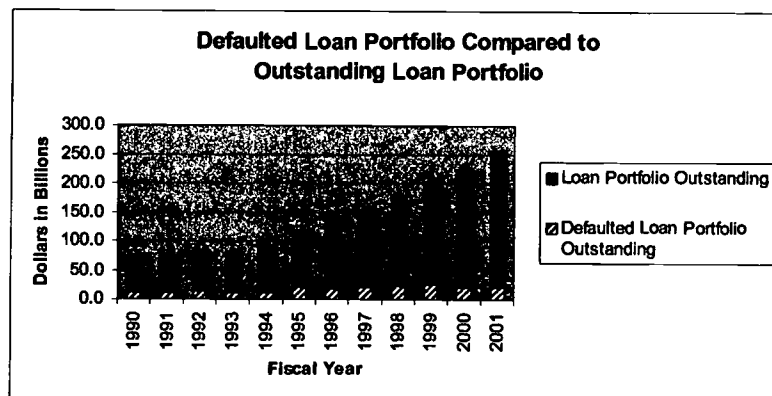
Cornelia M. Ashby  
Director, Education, Workforce,  
and Income Security Issues  
United States General Accounting Office  
Washington, DC 20548

FEB - 5 2003

Dear Ms. Ashby,

Thank you for the opportunity to review and comment on your draft report, *Federal Student Aid: Timely Performance Plans and Reports Would Help Guide and Assess Achievement of Default Management Goals (GAO-03-99)*. We appreciated the professionalism and responsiveness of you and your staff as we provided information, responded to questions, and worked through issues.

We are pleased with your conclusions that the Office of Federal Student Aid (FSA) met or exceeded almost all of its default management goals. We also agree with the report comments regarding the need to: (i) provide more timely performance reports that clearly identify whether performance goals are met, and (ii) update our five-year plan. However, our results clearly demonstrate that the plans we had in place were appropriate to guide our efforts in the default management area, particularly when coupled with the Department's FY 2002-FY 2007 Strategic and FY 2002-2003 Annual Plans. The following chart shows the success of our strategies – while the outstanding portfolio grew significantly, the outstanding default portfolio identified in GAO's report fell as a percent of the outstanding portfolio:



*We help put America through school.*

We recognize the challenge we face to continue to keep the default portfolio to a small share of the outstanding portfolio, as the economy has much to do with our success. Providing billions of dollars of loans, through thousands of intermediaries to millions of students, who may not be credit-worthy, is inherently risky. However, we will continue to aggressively manage this challenge. We will continue to use the Debt Collection Improvement Act and programmatic tools at our disposal effectively to reduce defaults and improve collections.

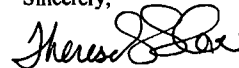
Our fiscal year 2003 Annual Plan is finalized and our priority goals for the year established. We prioritized this year's project efforts not only with the important mandates of the PBO legislation as guiding principles, but with our program integrity goals of obtaining and maintaining an unqualified financial statement audit opinion, and of permanent removal from the GAO High Risk list. Other key priorities include our continued efforts to integrate our remaining legacy systems and migrate them to newer technology solutions, as appropriate. Managing student loan defaults is an important FSA initiative that continues to be an integral part of this plan as well as the Department's Strategic and Annual Plans.

We recognize, too, the requirement for FSA to produce annually a five-year plan to better enable Congress and other stakeholders to determine that performance goals were met. This spring we plan to revise our five-year plan to align more closely with our current priorities. This will include giving even greater emphasis to program integrity, a key component of our annual plans. Although much of the current FSA Five Year Plan is still relevant, we recognize that it is important to Congress and the community that we update the plan to reflect the emphasis of program integrity and make other necessary changes.

Regarding the timeliness of our annual report, we will meet our deadline to finalize our FY 2002 Annual Report. Our annual financial statement audit report, which is an integral part of the annual report, is complete. We received an unqualified opinion on our FY 2002 financial statements. The final annual report will include this opinion as well as appropriate information on our performance goals and activities that address your suggestions.

Additional comments on specific sections of the report are contained in an Appendix to this letter. Again, I wish to thank you and your staff for your professionalism on this engagement and look forward to continuing to work with you on these and other important issues.

Sincerely,



Theresa S. Shaw

Appendix

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Appendix

Additional specific comments on the GAO report entitled *Federal Student Aid: Timely Performance Plans and Reports Would Help Guide and Assess Achievement of Default Management Goals (GAO-03-99)*

1. GAO Highlights –

Why GAO Did This Study - This section discusses the default volume doubling from approximately \$11 billion to nearly \$22 billion from 1990 to 2001. During that same period the loan portfolio more than quadrupled from \$54 billion to \$233 billion. We believe that information also needs to be included in this section to provide important context and balance.

What GAO Found - We believe that a chart similar to the one included in our response provides a more balanced picture of the effectiveness of FSA's default management strategies as well as a clearer picture of the portfolio as a whole. If Table 1 is used, it should include information on the loan portfolio outstanding at the end of each period. Including these amounts, would at least allow the reader to put the default portfolio identified by GAO in perspective.

2. Page 1, first paragraph –

Again, the loan portfolio balances should be included in this paragraph to provide a more balanced presentation of the dollar increase in the default loan portfolio.

3. Page 2, Results in Brief, first paragraph –

Although GAO notes that documents presented by FSA did not explain the basis for establishing, continuing, or ending projects, the documentation in FY 2002 of additional actions supporting default strategies is reasonable. As your report notes, those strategies were to prevent defaults, increase collections and verify student eligibility. To support this annual plan action item, ongoing projects were identified that supported the strategies. Many of these projects had existed in prior years, but had not specifically been included in prior years formal planning documents. In addition, several of these FY 2002 "one year goals" are actually actions that are continuing into future years.

The FSA Five Year Plan and the annual plans supporting default management strategies focused on indicators of success and major projects. The goals of lowering defaults and improving collections are documented clearly in the FSA Five Year Plan. The measures of keeping the default at or below a certain rate, and keeping the default recovery rate at or above a certain rate, were measures that were identified and formalized in FSA's annual plans each year. In addition, the default recovery rate was included as a goal in the recent Department strategic and annual plans. And we have met the goals we have established: the cohort

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default rate was reduced to an all time low of 5.6% and our default recovery rate increased to 16.76%, reflecting collections of \$4.87 billion dollars.

4. Page 7, Table 1 –

As previously stated, the chart included in this response would provide a more balanced picture as it includes information on the outstanding loan portfolio in relation to the defaults. At the very least, Table 1 should also include information on the loan portfolio amounts at the end of each period to put the default loan portfolio identified by GAO in perspective.

5. Page 9, first full paragraph –

This paragraph improperly indicates that the NSLDS data quality effort was a goal that had been in existence for only two years. Improving the quality of the NSLDS data has been a project that has been on going since 1994, even though it was not covered in the FY 2000 Annual Plan. In addition, the particular project identified in FY 2002 as an NSLDS default management project had been performed on an ongoing basis (about every other year) for the last six years.

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# Appendix V: GAO Contacts and Staff Acknowledgments

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## GAO Contacts

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Mary A. Crenshaw (202) 512-7053

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## Staff Acknowledgments

Lisa Lim and Carla Craddock made significant contributions to this report. In addition, James Rebbe provided legal support, Carolyn Boyce provided assistance in selecting schools for our survey, and Susan Bernstein and Barbara W. Alsip provided writing assistance.

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